The Concept of Human Resource Management in The Life of Business Organizations in The Digital Era

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ABSTRACT

The development of digital technology has brought new challenges in managing human resources in the modern era. The concept of HR management has become the main focus of organizations facing change. The research aims to analyze the concept of HR management in organizational life in the digital era. This research uses descriptive analysis methods to study related literature and explore an in-depth understanding of HR management concepts. The main findings of this research show that human resources have a significant influence on the lifecycle of business organizations in the digital age. In the digital era, the role of human resources is becoming increasingly important because of digital transformation which influences the way work and interactions within organizations. To build a great business organization in the digital era, companies need to take strategic steps that can optimize human resource potential and respond to rapid changes in the business environment. However, in optimizing the potential of human resources some challenges need to be faced. To overcome this, a sustainable approach to human resources (Sustainable HRM) emerged.

Keywords: Management; HR; Digital; Sustainability Human Resources Management

I. INTRODUCTION

The expansion of technology has caused changes in business models across various industry sectors. Some troubles that frequently come out as a result of these changes include industry disruption (Rohman Hakim et al., 2023). The era of disruption is an era of massive changes brought about by innovations that transform systems and business structures to a newer level. Companies that were unable to adapt their business models to these changes may face difficulties in surviving or might have even been at risk of extinction. In the digital era, consumer patterns have also changed from initially visiting stores. Now, consumers are more likely to use digital platforms, make purchases online, and expect a fast, easy, and personalized experience. Companies must adapt to these changes and transform their business models to meet the new needs and preferences of consumers. Technological advancements accelerate the pace of innovation across various industries. Companies must continue to innovate to stay relevant and competitive by adopting new technologies, developing innovative products and services, and finding new ways to deliver added value to their customers. Business model changes driven by technological developments often require different and higher skills from employees. This can result in radical changes to the management of human resource (Alwy, 2022). The role of Human Resources (HR) is the key strength and success in sustaining every business cycle undertaken. Changing and improving the quality of HR requires attention to the concepts of planning, implementation, process, and gradual evaluation. Business digitalization involves the role of superior HR to produce high-quality human resources. This raises several questions:

a. How do Human Resources play a part in shaping the vitality of Business Organizations in the age of digitalization?
b. What are the internal and external factors affecting Human Resources in the Digital Era?
c. How can companies build a great business organization in the digital era?

This research not only focuses on technological changes as a separate entity but also seeks to understand how human resource management transforms with the times so that business organizations can sustain themselves. With an acute awareness of the crucial role management human resources plays in the digital epoch,
this study endeavors to delve deeply into its significance within a digital milieu, encompassing the cultivation of digital proficiencies, efficient performance management, and the implementation of work flexibility policies to create a balance between work and personal life. The conclusion of this research aims to help organizations stay relevant and successful in this era of disruption. By embracing the concept of managing human resources in the digital era and proactively adapting to technological advancements, organizations can employ long-term workforce management strategies to tackle the challenges posed by digitalization.

The previous research which was carried out by Rahman Hakim (2023) entitled “The Concept of Human Resource Management Towards the Welfare of the People in the Digital Challenge Era” demonstrates that the role of human resource management is vital in improving people's well-being in the digital age. The appropriate use of digital tools and technology-based performance management systems can help monitor and enhance welfare. The innovation of this research lies in its in-depth approach to the relationship between human resource management and the operational aspects of business organizations. This research offers an analysis of the role of human resources in business structural life in the digital era, including how innovation, creativity, collaboration, communication, and human resource skill development can influence organizational performance. This study also emphasizes the importance of optimizing human resource potential and responding to rapid changes in the business environment to build great business organizations in the digital era. It introduces a sustainable methodology for managing human resources (Sustainable HRM) as a solution to meet the hurdles of optimizing human resources in the digital age.

In the realm of business practice, this research stands as a beacon of hope, illuminating the path toward tangible benefits for practitioners. It delves into the vital realm of nurturing digital proficiencies within human resources, recognizing them as the linchpin in navigating the tumultuous waters of modern digital transformation. Through its revelations, it not only sheds light on the importance of these competencies but also unveils a treasure trove of strategies aimed at fortifying businesses in the digital epoch. These strategies, akin to armor forged in the fires of innovation, empower organizations to harness the full spectrum of human potential while deftly maneuvering through the unpredictable currents of the digital landscape.

Moreover, the research ventures into the uncharted territory of Sustainable Management of Human Resources (Sustainable HRM), a concept as intricate as it is visionary. Within its folds lie the blueprints for a sustainable future, where the fostering of human capital becomes the basis of organizational success.

By embracing Sustainable HRM, businesses not only ensure their survival amidst the relentless waves of change but also pave the way for sustained growth and development. Thus, as the world hurtles forward into an era defined by digital dynamism, this research serves as a guiding star, beckoning businesses to chart a course toward resilience, innovation, and enduring prosperity.

II. LITERATURE REVIEW

Human Resource Management Theory

Acknowledgment of humans as the most pivotal resource for success is progressively recognized by diverse stakeholders in the attainment of any organizational or corporate objective. The significance of human resources in determining the success of an organization or company demands a leader within the company to be able to nurture human resources to the best of their ability. Human resource management (HRM) forms the foundation of all management activities, yet it’s not the bedrock of all business endeavors (Torrington et al., 2005). Management of Human Resource (HRM) is the strategic, intertwined, and harmonious orchestration of work, development, and the well-being of the individuals laboring within an organization (Armstrong, 2009).

Human resources, the bedrock of all managerial activities, wields a pivotal role within the company. Bohlander & Snell (2010) argues that having a good understanding of Human Resource Management (HRM) is crucial for managers and all types of entrepreneurs—not just HR personnel. All managers are at least partly responsible for some activities falling under the HRM category. Poor performance in HR-related activities can lead to failure even for businesses with great business strategies, planning, products, or services. High management commitment leads to higher productivity, smarter productivity, and increased accountability at lower organizational levels (Anthony & Govindarajan, 2006).

The primary function of human resources based on a survey by the Conference Board (Chen, 2023), is a member-based financial think tank that identifies six critical functions that managers of human resource management must effectively perform to add value to the business, namely:

1. Effectively harnessing and managing human potential
b. Linking performance assessments and rewards to skill sets

c. Cultivating competencies that boost both individual and organizational success

d. Fostering innovation, creativity, and adaptability to elevate competitiveness

e. Implementing fresh strategies for workforce planning, succession planning, career development, and inter-organizational mobility

f. Overseeing the adoption and integration of technology through staff development, training, and employee communication

Digital Era

The emergence of the digital era marks a pivotal shift in human civilization, ushering in an epoch defined by the transformative power of internet-driven technologies and computer-based information systems. This era witnessed the birth of new mediums and tools, each imbued with the capacity for engineering and manipulation, exemplified by the vast networks and interconnectedness facilitated by the internet. As society undergoes a profound cultural metamorphosis in the dissemination of information, the traditional landscape of mass media gives way to the dynamic realm of new media, dominated by the omnipresent influence of the internet. In this digital realm, the dissemination of knowledge becomes instantaneous, empowering the public with unprecedented access to a wealth of information, effortlessly delivered at their fingertips. The digital era thus emerges as a testament to the age of computerization, wherein every facet of human activity finds expression through the multi-faceted lens of computer technology, spanning diverse forms, numerical data, and narrative modalities.

As we find ourselves amidst the throes of this burgeoning epoch, the contours of human intellect across the globe are intricately interwoven, interconnected by the threads of digital technology. The advent of the digital era heralds a profound paradigm shift, catalyzing monumental changes across the global landscape. From the realms of communication and commerce to education and entertainment, the omnipresent influence of digital technology permeates every facet of contemporary life, reshaping the very fabric of society. In this age of unprecedented connectivity and boundless innovation, the world stands poised on the precipice of endless possibility, propelled forward by the transformative tide of the digital revolution (RM & Amalia, 2019).

III. RESEARCH METHOD

This research employs a descriptive qualitative approach using the literature review method with a narrative review model. The literature review method involves research activities that engage several journal books and other reading sources to support research data, followed by data analysis through observation from these various reading sources. Meanwhile, the narrative review model synthesizes and contrasts data drawn from multiple international and national journals. This analysis and summary are informed by the author's expertise, established theories, and existing models. As an effort necessary for researchers to support research results, the data sources used consist of primary subjects, including e-journals, e-books, and other supporting books. Data analysis involves analyzing the literature, such as analyzing books and journals as references in research. The literature search strategy in this study was conducted manually across various national and international publication journals such as Sinta, Google Scholar, Emerald, Science Direct, and Elsevier. Article selection adhered to predetermined inclusion and exclusion criteria, such as topic relevance, journal accreditation (duplication), article implications and contributions (excellence), and the number of citations used. The keywords used in this research search were "Human Resource Management," "Digital," "Industry 4.0," and "Sustainability Human Resource Management." The procedure for the literature study using the narrative review model consists of several steps, namely (Pautasso, 2019):

a. Topic Determination

b. Reference Journal Search

c. Reference Journal Selection

d. Description/Abstracting of Reference Journals

e. Data Processing

f. Interpretation of Results and Drawing Conclusions

IV. RESULTS

Drawing from the research inquiries, theoretical analysis, and pertinent prior studies, the discourse in this literature review article unfolds as follows:

Human Resources Influence the Life of Business Organizations in the Digital Era

From the analysis of the literature, it is possible to identify changes in the role of Human Resources (HR) caused by digital disruption. Human resources have a significant influence on the digital age, where the significance of human resources escalates as a result of the digital revolution, impacting the dynamics of business organizations that affect the way work and interactions are conducted within organizations. Some of how human resources influence the existence of business organizations in the digital age include (Alwy, 2022; Hakim, 2023; Ridwani et al., 2023):
a. Innovation and Creativity: Innovative and creative human resources can help business organizations to continuously grow and compete in the digital era. They can provide new ideas and creative solutions to emerging challenges, such as the implementation of initiatives like Recruitment based on competencies. Compensation that sparks innovation, Performance management focused on achieving results, and Empowerment of human resources.

b. Collaboration and Communication: In a globally connected digital business environment, the ability to collaborate and communicate effectively is crucial. Human resources capable of working virtually and managing relationships with cross-border teams can enhance organizational performance.

c. Skills Development: Organizations must allocate resources towards enhancing the skill sets of their workforce to remain relevant and competitive in the digital age. Employee training and development are essential to ensure they have the necessary capabilities to face technological changes. Human resources with strong digital skills can help organizations adapt to technological changes and leverage them to improve operational efficiency and product or service innovation.

d. Enhancing Productivity and Profitability: By adopting digital technology in HR management, organizations can improve operational efficiency. The use of digital HR management systems can reduce the time required for routine administrative tasks, allowing HR to focus on more strategic and value-added activities. Additionally, with the data collected through digital HR management systems, organizations can perform better data analysis to understand trends, patterns, and human resource needs. This enables better strategic planning in HR management, which can positively impact organizational productivity and profitability.

e. The Importance of Work-Life Balance: In a fast-paced and online-connected digital era, organizations need to pay attention to employees' work-life balance as it will eventually impact employee productivity. When employees feel balanced between work demands and personal life, they tend to be more focused, efficient, and perform at a high level in their tasks. This will positively affect the overall performance of the organization.

Internal and External Factors Affecting Human Resources in the Digital Era

In this age of digitalization, the dynamics of human resources are shaped by a myriad of internal and external forces, which wield considerable influence over their efficacy and impact within corporate realms. Below is delineated a spectrum of internal and external elements that wield sway over human resources in the digital epoch (Muliawaty, 2019; Ridwan et al., 2023):

a. Internal Factors

- Policy and Organizational Culture: Policies and organizational culture that support innovation, digital skill development, work-life balance, and employee engagement will influence how human resources adjust and evolve in the digital age. Organizations that prioritize human resource development will have a competitive advantage in facing technological changes.

- Leadership: A leadership style that is supportive, visionary, and proficient at inspiring employees to innovate and adapt to technological changes will influence the motivation and performance of human resources. Strong and future-oriented leadership can assist human resources in rising to meet the trials presented by the digital age, we innovate with fervor and adaptability more effectively.

- Skills and Competencies: The level of skills and competencies of human resources in terms of digital technology will affect their ability to contribute effectively in the digital business environment.

b. External Factors

- Technology Changes: The rapid development of digital technology influences the demands for skills and knowledge of human resources. Organizations must stay attuned to technological trends to ensure their human resources can adapt to and thrive amidst these advancements. If organizations are unable to keep up with technological advances, they may face several negative consequences that can affect their performance and business sustainability, such as falling behind in competition, reduced efficiency and productivity, and declining product and service quality.

- Global Competition: The increasingly fierce competition in the global market also affects human resources in the digital age. Officialdoms need to have competent and adjusting human resources to compete
effectively, generate innovation, and meet the evolving demands of consumers. If an organization is unable to cope with global market competition, it is at risk of losing market share to more competitive and innovative competitors. This can result in declining sales, revenue, and profitability.

- Regulation and Policy: Changes in regulations and policies related to technology and employment can impact how organizations manage human resources in the digital era. Organizations need to ensure that their policies comply with applicable regulations and support the development of human resources.

The Company's Approach to Building a Great Business Organization in the Digital Era

Crafting a digital business strategy entails weaving a tapestry of innovation and foresight, a meticulously structured blueprint poised to harness the transformative power of digital technology. It's a symphony of connectivity, where every note of information and communication technology harmonizes with the rhythm of online platforms, data analytics, and artificial intelligence. Through this orchestration, businesses aim not just for success but for transcendence, leveraging the digital realm to not only meet but exceed their objectives. It's a journey into the heart of a new frontier, where the fusion of technology and strategy propels organizations toward enhanced performance, broader market horizons, and a realm where customer value transcends the ordinary.

Yet, amidst the digital symphony, lies the challenge of navigating the ever-changing currents of the business landscape. To thrive in this digital expanse, companies must chart a course that goes beyond mere adaptation—it requires a strategic metamorphosis. It beckons entrepreneurs and visionaries to embrace agility, to dance with the rhythm of change, and to wield technology as a beacon guiding their ship through turbulent seas. For in the digital age, the true measure of greatness lies not just in the mastery of technology but in the strategic orchestration of human potential. Thus, building a great business organization in this era demands not only technological prowess but a profound understanding of the human element, where strategic steps optimize human resources potential and chart a course that steers through the winds of change with unwavering resolve. Here are some ways companies can build a great business organization in the digital era (Hakim, 2023; Ridwani et al., 2023):

a. Digital Skills Development: Companies need to invest in training and developing employees to enhance their digital skills. This includes training on new technologies, data analysis, artificial intelligence, and other digital skills relevant to business needs.

b. Promoting a Culture of Innovation: Companies need to create an environment that supports innovation and experimentation. Encouraging employees to share new ideas, test digital solutions, and collaborate on innovative projects can help organizations remain relevant and competitive in the digital era.

c. Flexibility and Adaptability: Organizations need to be flexible and adaptive to changes in the digital business environment. The ability to adapt quickly and respond to market changes will help organizations remain competitive and relevant.

d. Visionary Leadership: Company leaders must have a clear vision of the company's direction in the digital era, as well as the ability to motivate and inspire employees to achieve common goals.

In the digital era, numerous changes have been brought about in various aspects of life, one of which is the realm of employment. Companies also need to engage in human resource development (HRD) as a decisive factor for them to win in fierce competition and rapid technological changes. In an age defined by relentless innovation and swift technological progress, businesses must weave human resource development into the very fabric of their operations. Development will be emphasized in efforts to enhance employees' competencies, skills, knowledge, attitudes, and abilities. Enhancing the potential of human resources is crucial for building a successful business organization.

The dynamic landscape of human resource competencies faces unprecedented challenges in the wake of the digital era's advancements. As technology continues to redefine traditional work paradigms, organizations are compelled to reassess and redefine their approaches to managing human capital. The incorporation of automation, artificial intelligence, and data analytics has not only streamlined operational procedures but has also prompted a fundamental overhaul in the skill sets demanded from employees. From basic digital literacy to advanced data interpretation and problem-solving abilities, individuals now need to possess a diverse range of competencies to thrive in the contemporary workplace.

Furthermore, digital transformation has led to a convergence of personal and professional spheres, blurring the lines between work and life. Employees expect seamless access to information, flexibility in work arrangements, and opportunities for continuous learning and development. As such, organizations are challenged not only to attract and retain top talent but
also to foster an environment that nurtures ongoing growth and adaptation. In this context, the effective management of human resource competencies becomes paramount, requiring HR professionals to innovate strategies for recruitment, training, performance management, and employee engagement that are responsive to the evolving demands of the digital age. The challenges and opportunities in the digital age necessitate an active role in the HR function within organizations. The HR function needs to pay attention to the human resource proficiencies needed in the age of digitalization, develop training and improvement programs for human resource competencies, and measure the effectiveness of these programs. The following are some challenges that need to be considered (Dabić et al., 2023; Rikala et al., 2024):

a. Skill Gap: One of the main challenges is the existence of a skill gap, where employees may lack the skills and knowledge required for digital transformation. Addressing this skill gap through skill enhancement initiatives is crucial to optimize the potential of human resources.

b. Job Insecurity: Automation and digital transformation can lead to job displacement or changes in job roles, creating uncertainty and anxiety among workers about their future careers. Job insecurity can heighten stress, anxiety, and uncertainty among employees, adversely affecting their mental well-being and job satisfaction.

c. Isolation and Communication Challenges: Remote work arrangements and digital communication tools can result in feelings of isolation, reduced team collaboration, and challenges in maintaining effective communication among employees. Communication challenges can lead to misinterpretation, misunderstandings, and errors in information exchange, resulting in inefficiencies, conflicts, and decreased productivity.

To tackle the hurdles of digitization in maximizing human resource potential, a sustainable approach to human resource management, known as Sustainable HRM, arises (Aust et al., 2020). The concept of sustainable output has captured business interest because it includes key factors essential for the growth and development of companies (Ananzeh et al., 2023; Forcadell et al., 2020). Sustainable Human Resource Management embodies a long-term vision that adopts an enduring strategy for managing the workforce (Ehnert, 2006, 2009; Guerci & Pedrini, 2014; Kramar, 2013; Mariappanadar, 2003, 2012). Sustainable Human Resource Management (HRM) embraces a comprehensive strategy for overseeing human resources, integrating key elements such as employee growth, organizational fairness, and ecological stewardship (Kusuma et al., 2023). Sustainable Human Resource Management takes into account the significance of human resource management across macro, meso, and micro levels, while also recognizing the crucial role of effective employee management for long-term success (Ehnert et al., 2014). The implementation of sustainable human resource management principles not only can enhance organizational productivity but also can create a healthy and supportive work environment for employees (Suryawan et al., 2023). Sustainable human resource management emphasizes crucial Activities like nurturing, growth, equitable rewards, deployment, and staff transition (Kramar, 2013). Attaining sustainability is akin to embarking on an eternal journey, with each company charting its unique course. Moreover, the path to sustainability is a woven tapestry, intricate and dynamic, intertwining the financial, human, and societal facets of the company (Ananzeh, 2022; Khan et al., 2021). The benefits of sustainable human resource management include:

a. Mitigating the unintended consequences of downsizing activities (Mariappanadar, 2012)

b. Talent Development: Sustainable Human Resource Management focuses on enhancing employees' skills, capabilities, and potentials through training, skill enhancement, and career development opportunities. Through prioritizing the nurturing of employee development and knowledge, organizations foster a proficient workforce adept at evolving alongside shifting business demands and technological progressions (Boudreau & Ramstad, 2005)

c. Environmental Sustainability: Sustainable HR Management integrates environmental conservation practices into HR strategies, such as promoting eco-friendly initiatives, reducing carbon footprint, and supporting environmentally friendly workplace policies. By harmonizing HR methodologies with environmental goals, corporations can play a pivotal role in shaping a greener and more sustainable tomorrow and demonstrate corporate social responsibility (Guerci & Pedrini, 2014; Mariappanadar, 2012)

d. Ensuring equitable compensation (Maley & Kramar, 2015)

e. Employee Well-being: Sustainable HR management aims to enhance employee well-being by creating a supportive and healthy work environment. This encompasses initiatives such as work-life balance programs, mental health
support, health activities, and stress management resources to enhance employee satisfaction and engagement (Mariappanadar, 2012).

f. Impact on Employee Well-being: The balance of work-life created through sustainable human resource control has a beneficial influence on the well-being of employees. Employees who receive encouragement in balancing work and personal life often exhibit higher levels of happiness, productivity, and commitment to the organization (Febrian et al., 2023).

V. CONCLUSION AND RECOMMENDATIONS

Conclusion

The proliferation of digital technology has ushered in a new era fraught with challenges in managing human resources effectively. As organizations grapple with the rapid pace of technological advancement, the focus on controlling and optimizing human capital has taken center stage. In the digital landscape, the significance of human resources amplifies, mirroring the profound impact of digital transformation on work methodologies and intra-organizational interactions. The complexities of managing human resources within modern businesses are underscored by a myriad of internal and external influences. From the intangible realms of organizational culture and leadership to the tangible domains of skills, competencies, and the ever-shifting terrain of technology, global markets, regulations, and policies, the dynamics of human resources are shaped by a multifaceted interplay of forces.

In this milieu, the role of human resource management transcends mere administration; it becomes a strategic imperative vital for organizational success. As businesses navigate the digital frontier, the ability to adapt and innovate in managing human capital emerges as a cornerstone of competitiveness. Thus, the modern era demands a holistic approach to human resource management that not only addresses immediate challenges but also anticipates and responds to the evolving needs of the workforce and the business landscape at large.

To build a great business organization in the digital era, companies need to take strategic steps that can optimize human resources potential and respond to rapid changes in the business environment. However, in optimizing human resources, some challenges need to be faced. To address this, the approach of the Sustainable Managing Process of Human Resources (Sustainable HRM) emerges. The allure of sustainability lies in its novelty, captivating business attention by embracing pivotal outcomes intertwined with the company's expansion and evolution. Sustainable Human Resource Management embodies a forward-looking perspective that embraces a sustainable approach to supervising the workforce over the long term.

Sustainable HRM involves a holistic methodology for human resource control. This includes aspects such as employee development, organizational fairness, and environmental sustainability. By adopting sustainable HRM principles, not only can organizational productivity be boosted, but also a nurturing and healthful atmosphere can be fostered for employees. Sustainable Human Resource Management emphasizes important processes such as training, development, fair compensation, employee placement, and termination.

Suggestion

This research's constraint lies in its narrow elucidation of sustainable HRM. To delve deeper into this subject, future investigations might explore the nuanced application of sustainable human resource management, delving into its effects on mental wellness, job contentment, and workforce efficiency amidst the digital age.

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